



Sustainable Outgrower Development for Liberia

Introduction, background and context-setting

11 June 2014





Presentation Outline

- Oil Palm – potential benefits and challenges
- Process to date on development of outgrower models for Liberia: **SHARP**
- Workshop objectives/ agenda
- Outgrower models: The Basics
- Outgrower model development: For Liberia





Sustainable palm oil – potential benefits

- High-growth sector
- Socioeconomic development
- Increase employment opportunities
- Attractive to external and internal investment
- Community empowerment



Importance of outgrowers



- Outgrowers play a crucial role in oil palm production
 - Indonesia: ~40%
 - Thailand: ~80-90%
 - Ghana: ~70-80%
 - Nigeria: ~70%
- Several potential benefits to outgrowers from oil palm production
 - Employment creation
 - Improved livelihood of rural poor
 - Secure income
 - Increased technical capacity

Challenges faced by outgrowers if models are unsustainable



- Including:
 - High cost of establishment
 - Poor organisation
 - Limited access to information
 - Limited support on best agriculture, environmental & social practices
 - Poor access to market and credit
 - Insufficient technical capacity, Poor agronomic practices and yields
 - Change in community dynamics





Liberia and oil palm

- Investments made in the Liberia oil palm sector
- Concession agreements: Requirement for outgrower development, however
 - Limited history in Liberia of outgrower development
 - Those that existed – did not work well
- Based on initial stakeholder discussions
 - Support and guidance needed to



SHARP



Process to date on development of outgrower models for Liberia

Key milestones



SHARP milestones & Process to Date

- **Mid 2012:** Initial stakeholder discussions with Liberian stakeholders
- **Dec 2012:** Multi-stakeholder workshop
 - Share experiences on diverse smallholder models
 - Identify challenges and constraints and opportunities
 - Discuss key considerations that should be included as components of a smallholder model that would work in Liberia



SHARP milestones & Process to Date

- **Main outcomes from Dec 2012 wkshop**
 - General consensus that outgrower oil palm development has potential to deliver great benefits, if done well
 - Identification of OPTIONS for potential outgrower models.....
 - **Land ownership** - by the communities is crucial, but other options are possible as well
 - **Management** – by company and/or outgrowers
 - **Financing** – Companies should support process, great need for 3rd party financing
 - **Organisation of outgrowers** – following customary/ traditional systems
 - **Livelihoods** – integrating livelihoods may be considered



SHARP milestones & Process to Date

- **Dec 2013:** Bilateral discussions with stakeholders
 - Continue and follow up on process started in 2012
 - Update on issues for outgrower model in oil palm context (challenges, initiatives, etc.) from perspective of different stakeholders
 - To identify where further support and guidance for model development is needed
- **Main outcomes: Need for...**
 - Options of outgrower models that are suitable to Liberian context
 - Good practice guidance for the implementation of outgrower models

2014: Collaboration with GROW

Based on these extensive discussions, started to prepare specific scenarios of outgrower models for Liberia

Objectives of workshop



Objectives of workshop



- Provide an overview of the process to date in Liberia with regards to sustainable outgrower development
- Present the results of the work on developing scenarios for outgrower models adapted for the context of Liberia
- Receive input on the different proposed outgrower model options for Liberia from all key stakeholders
- Brainstorm best practice considerations when implementing outgrower models
- Discuss challenges for financing mechanisms for outgrower models in Liberia and identify next steps

Agenda



What are outgrower models? ...the basics





Development of Outgrower models – Globally

- **Government support:** *eg. Establishment costs, input, stipends, provision of land, loans (via local government banks)*
 - Eg. Malaysia: FELDA
 - Eg. Ghana: Presidential Special Initiative (PSI)
- **Commercial local/ int'l banks support:** *Particularly important during immature phase*
 - Eg. Ghana: BOPP (ADB),
 - Eg. Indonesia: Nucleus Plasma scheme (WB), Agriculture Diversification Programme (WB)
- **Company support:** *eg. Management, loans, establishment, CSR*
 - Most smallholder schemes around the world
 - Eg. Brazil: Agropalma (loans provided to Outgrowers)
 - Eg. Ghana: GSOPP: CSR project



SHARP

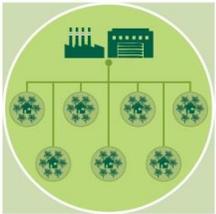


Outgrower models: An introduction of the main models

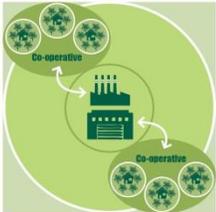


Outgrower models in the oil palm sector

- There are many different models which fall into three broad categories



Managed



Supported

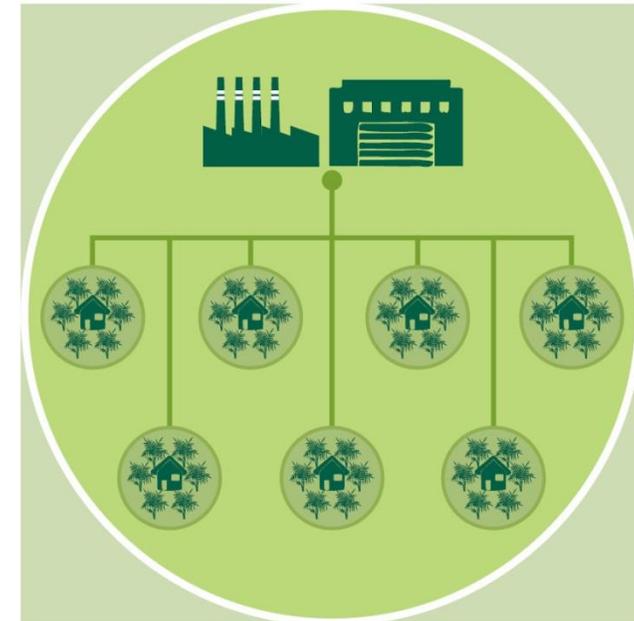


Independent



Managed

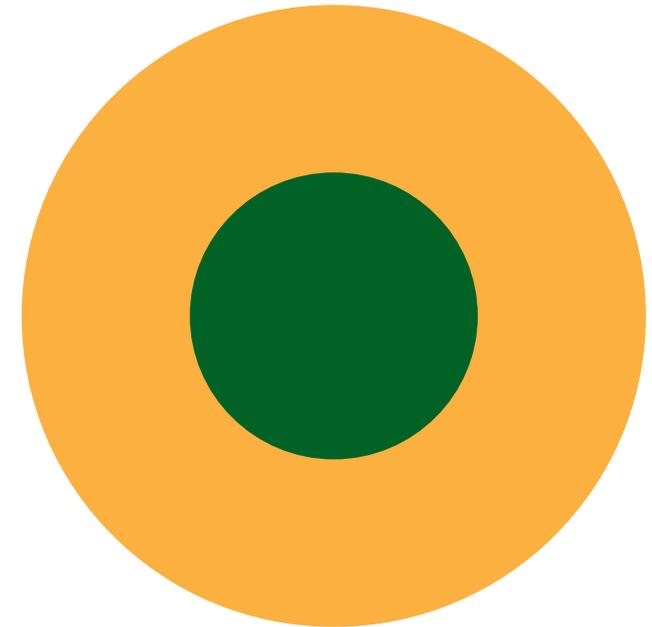
- Management is undertaken by the company
- Carry out preparation, planting, maintenance and harvesting.
- Outgrowers receive the income minus costs of inputs and a management fee.
- All production is sold to the company.





Indonesian Nucleus-Plasma Scheme

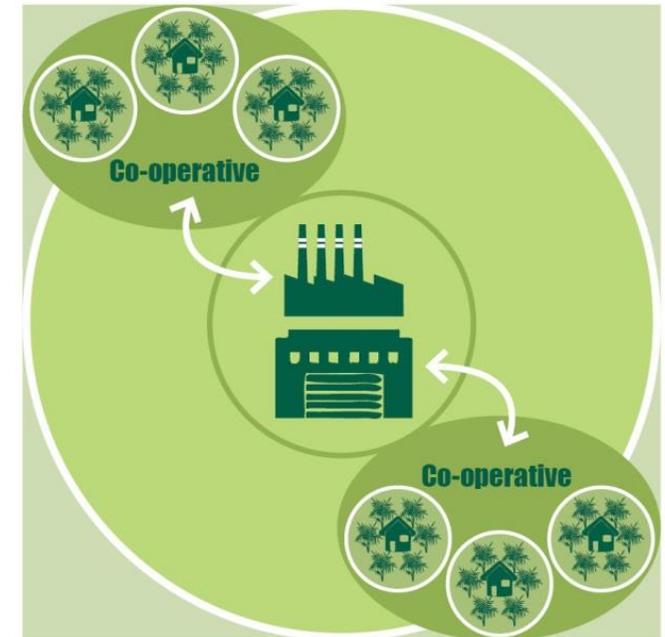
- Company (*inti*) establishes its core nucleus plantation and helps smallholders establish their plasma holdings (1-2ha) around the nucleus estate
- Corporate guarantee provided by *inti* to acquire loans
- Plasma under contract obligation to sell FFB to the *inti*
- *Inti* provides technical support to the farmers





Supported outgrowers

- Outgrowers manage their own plantations with support from the palm oil company
- This may include providing:
 - high quality seedlings,
 - help with site preparation or maintenance,
 - access to agricultural inputs
 - training and technical support
 - finance
- Part or all of production sold to the company at least until the cost of any loan or support is paid off.





Co-operative scheme

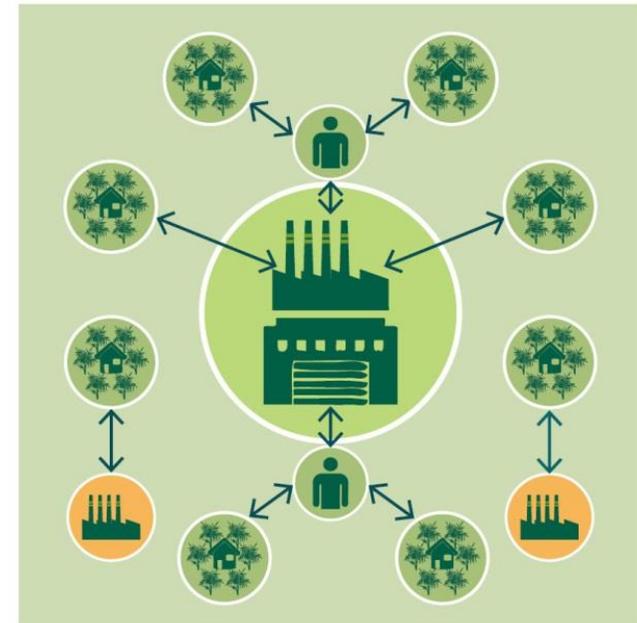
- Land-owners form a co-operative
- Company helps the co-operative members to establish plantations on their land
- Once established, the management responsibility is transferred to the co-operative
- Co-operative may contract the company to manage the smallholder area at a fee





Independent smallholders

- Smallholders manage their own plantations independently
- Each smallholder has full responsibility for obtaining seedlings, preparation, planting, maintenance and harvesting
- Smallholders are free to sell their production to anyone though in practice are often constrained by the need for quick processing.





Independent Smallholders

- Farmers choosing to grow oil palm on their own lands without any direct support from companies
- Greater autonomy in management of their farms
- Access to quality planting stock, extension support services and agrochemicals may be limited
- Farmers tend to sell their FFB to companies that are in close proximity due to the quick degradation of FFB



Developing Outgrower models for Liberia

Considerations and process



Issues & Challenges to consider for Liberia



- **Land:**
 - Unclear land rights
- **Community dynamics:**
 - Communal land
 - Migration patterns
- **Capacity:**
 - Oil palm relatively new concept
 - Lack of technical capacity, experience to support/ lead
- **Business/ financial case:**
 - High risk for investment and credit
 - High costs related to input and infrastructure development
 - Lack of commercial viable models to attract financing



Thus...

When we think about how to develop a outgrower scheme for Liberia, we should make sure....

- **Adapted to the realities/ challenges faced in Liberia**
 - Conditions are different to other countries (finance, social, environmental, regulatory frameworks)
 - Varying levels of capacity
- **Considers community aspirations/ benefits:**
 - Community empowerment
 - improvement of livelihoods
 - employment opportunities
- **Managing mixed expectations:** Youth, communities, government, etc.
- **Has a business case for companies**
 - Economically viable



Important considerations

- **Continuous improvement of models**

- Models are not forever
- Modification of models will need to happen - to make sure it continuously fits with Liberian context
- *May need more than 1 suitable model*

- **Consultation with communities**

- Top Bottom and Bottom Up approach (Neutral broker)
- Local contexts different from one place to another

- **Implementation process of models**

- Development of outgrower models is on key step
- Implementation process crucial

- **Time and resources**

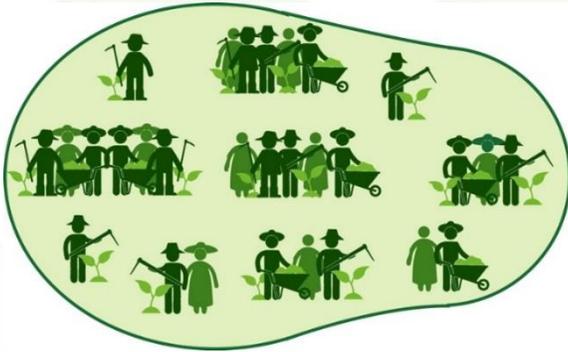
- Takes time to raise resources and capacity of all the different institutions
- Organise and mobilize sector

Key Elements: of models

Feasible options available for Liberia



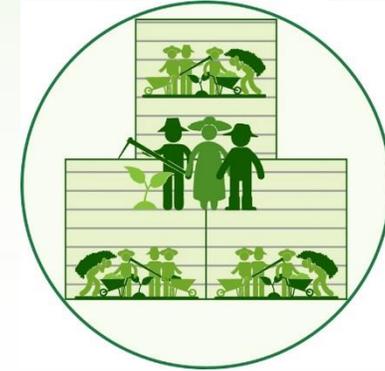
Land ownership & user rights



Community has both ownership and use rights

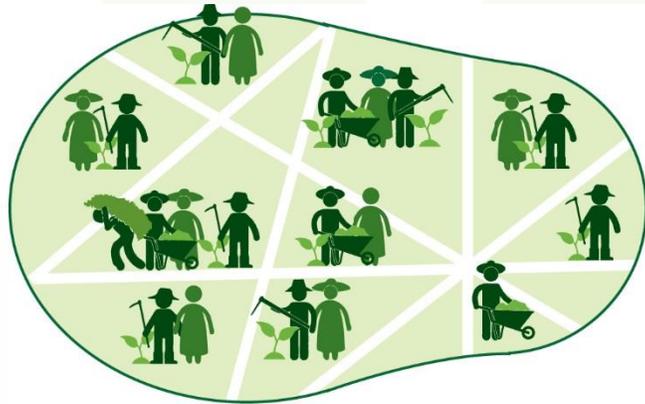


Company leases the land from community and community keeps the ownership rights



Community has ownership and cooperative has use rights

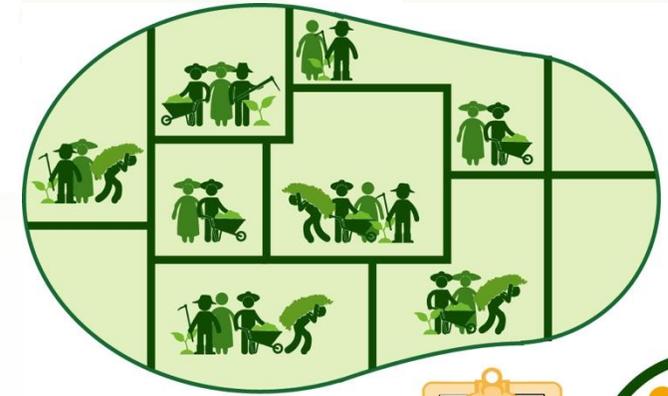
Selection process: Smallholders or Labourers



Community/
individual fully
decides



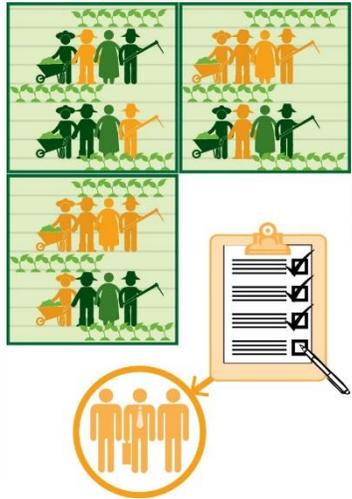
Company fully
decides



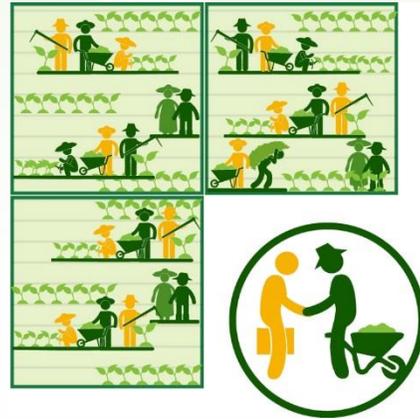
Mixed decision –
both community and
company jointly
decide



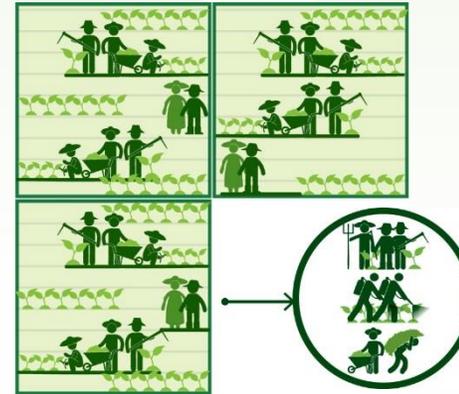
Land Management



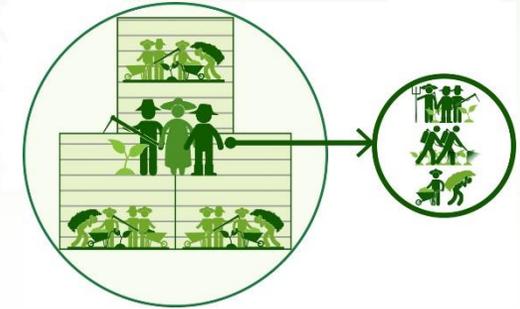
Full Company
management



Partial/mixed
management



Community
management



Cooperative
management



Thank you

